

**LETTER OF INTENT**  
**AMONG CLEVELAND CLINIC, LAKEWOOD HOSPITAL ASSOCIATION**  
**AND LAKEWOOD HOSPITAL FOUNDATION**  
**REGARDING THE FUTURE OF HEALTH CARE SERVICES**  
**TO THE LAKEWOOD COMMUNITY**

This Letter of Intent is entered into by and among The Cleveland Clinic Foundation (“CCF” or the “Clinic”), Lakewood Hospital Association (“LHA”), and Lakewood Hospital Foundation, Inc. (“LHF”) as of the 14th day of January, 2015 (the “Effective Date”) to set forth a non-binding outline of a potential arrangement (the “Potential Arrangement”) among CCF, LHA, LHF and the City of Lakewood (“City”) to share a proposed vision and plan for the future of health care services to the Lakewood community.

**I. Founding Principles**

The parties’ discussion and any collaboration will be designed to achieve these goals:

- A. The strategic vision of healthcare for the Lakewood community is based on the knowledge that health care is changing from a facility- and physician-based paradigm, designed to care for the sick, to a population-based effort that aims to improve the health of an entire community by helping people live healthier lives, treating their health conditions early to prevent chronic diseases, and reducing the need for “sick care” in hospitals. This is the future of health care.
- B. The services currently provided by Lakewood Hospital will be transformed from a predominantly inpatient focus to a comprehensive ambulatory (outpatient)-based program of health care services, wellness activities, and outreach services that will touch the lives of a large number of Lakewood residents, significantly more than are served currently by Lakewood Hospital.

**II. Key Components**

- A. The Clinic will construct, staff, own, operate, and manage a new comprehensive Cleveland Clinic Family Health Center (the “FHC”) of approximately 62,100 gross square feet on the north end of the current Lakewood Hospital property. The Clinic’s capital commitment would be approximately \$34 million for the design, construction and equipping of the FHC. Beyond opening of the FHC, the Clinic will expend whatever capital is required to maintain the safety and appearance of the FHC in a manner consistent with other CCF family health centers. The City will convey, at fair market value, sufficient land to the Clinic for the construction and operation of the FHC as well as for drive-up access



and immediately adjacent selected parking, in a manner that is consistent with CCF's federal and state tax-exempt status. The amount of land conveyed will be 2.5 acres or the minimum amount of land greater than 2.5 acres that is required by the City of Lakewood zoning and permitting process for a 63,000 sq. ft. medical facility that includes an emergency department. The City and the Clinic will jointly develop a business plan for parking that will support needed maintenance and operation of the Belle Street garage. The business plan will include an analysis of projected volumes and revenues, funding of needed repairs, and annual maintenance costs. This plan will be completed satisfactory to both parties by the approval date of the 2015 Definitive Agreement as defined below. In the event the Clinic no longer wishes to own and operate the FHC, the Clinic will offer the land and improvements thereon to the City at a price that does not exceed fair market value as determined by an appraisal process to be agreed to by the City and the Clinic. If the City does not wish to exercise its right to acquire the improvements, but exercises its right to acquire the land, the City will have the right to buy back the land at a price equal to the amount paid by the Clinic for the land, but in any event, not to exceed the fair market value as determined by an appraisal process to be agreed to by the City and the Clinic. In addition, the Clinic shall then be free to sell the improvements to a third party and the City will, in conjunction therewith, negotiate a ground lease with such third party upon commercially reasonable terms and at a rent not to exceed fair market value. If the City elects not to purchase the land or the improvements, the Clinic shall be free to sell or lease such properties to any third party. The FHC would offer the following services (full list of proposed initial services to be attached as exhibit):

- Emergency department (24/7/365)
- Primary care featuring an advanced medical home model
- Selected specialties
- Extended hours/weekends
- Procedures including cardiac and pulmonary testing
- Radiology and lab services
- eVisits/My Chart
- Home care coordinated with the FHC and Fairview Hospital

B. A new written agreement(s) (collectively, the "2015 Definitive Agreement") will be entered into by the parties hereto and the City on or before ninety (90) days from the Effective Date, that will further define and effectuate the Potential Arrangement and provide for the termination of Lakewood Hospital's operations and the wind-down and dissolution of LHA; the termination of the currently effective definitive agreement (the "1995 Definitive Agreement") between LHA and the Clinic; amendments to the LHA Code of Regulations and Articles of Incorporation as appropriate to effectuate the Potential Arrangement, the termination of the current lease (the "1995 Lease") between the City and LHA; the creation of a new lease between the City and LHA for the time period between the termination of the 1995 Lease and the complete cessation of Lakewood



Hospital's patient operations, including its current emergency department, and during such interim period LHA will pay rent in the same amounts and according to the same schedule as set forth in the 1995 Lease and, upon such cessation of patient operations, LHA's obligation to pay rent will cease; and the satisfaction of LHA's obligation to give notice of the termination of the Centers of Excellence services as described in certain correspondence from LHA to the City dated June 9, 2010. LHA's obligation to make payments through 2026 or 2056 to the City under the 1995 Lease would terminate upon the effective date of the 2015 Definitive Agreement, with the exception of payments defined in the 2015 Definitive Agreement. Prior to the execution of the 2015 Definitive Agreement, the LHA Board of Trustees and the City will approve the cessation and wind-down of LHA's hospital operations and the other terms described in the 2015 Definitive Agreement.

C. The Clinic will make a payment(s) to a non-profit tax-exempt entity designated by LHA in the aggregate amount of \$24.4 million, payable according to a mutually agreed upon payment schedule as follows: one-half upon approval and signing of the 2015 Definitive Agreement by all parties thereto, including the City, and one-half upon the opening of the FHC and City approval of a plan to complete the demolition or modification of the remainder of Lakewood Hospital. Said plan must be completed in good faith and submitted to the City for approval no later than 30 days before the opening of the FHC. The amount of such payment is fixed and will not vary due to the value of assets remaining following the Hospital's cessation of operations.

D. All or a substantial portion of the funds described in Section II(C) above will be aggregated with funds available from LHF into a non-profit and tax-exempt foundation (the "New Non-Profit Tax-Exempt Entity") whose purpose will be to support community health and wellness activities in the City of Lakewood. In addition to the payment to LHA's designate described in Section II(C) above and the lease payments to the City described in Section II(B) above, the Clinic will make sixteen (16) annual payments to the New Non-Profit Tax-Exempt Entity that total, in the aggregate, \$8 million beginning on the later to occur of the effective date of the 2015 Definitive Agreement or the formation date of the New Non-Profit Tax-Exempt Entity, and for 15 additional years on the anniversary of the effective date of the 2015 Definitive Agreement. In recognition of the Clinic's contribution to the New Non-Profit Tax-Exempt Entity, a suitable naming opportunity will be developed and included in the 2015 Definitive Agreement. The naming opportunity described in the preceding sentence shall not apply however to the name of the New Non-Profit Tax-Exempt Entity. The Clinic will be the principal healthcare system affiliate of the New Non-Profit Tax-Exempt Entity and will have first refusal rights for any health and wellness program, product, or service that said entity seeks to offer in excess of \$500,000 per year in estimated annual revenue or grant. The Clinic will have the right to two (2) voting members on the New Non-Profit Tax Exempt Entity's governing board, which shall not have more than twenty-one (21) members.



E. LHA's wind-down and subsequent dissolution will occur under the direction of the President of LHA, who shall be appointed by the Clinic, and pursuant to a wind-down and dissolution plan (which will be an exhibit to the 2015 Definitive Agreement), subject to the provisions of Section II(G) below. LHA will be the recipient of all revenues and incur all expenses, whether direct or allocated, associated with the continuing existence of LHA between the effective date of the 2015 Definitive Agreement and the dissolution of LHA. The wind-down and dissolution plan to be shown as an exhibit to the 2015 Definitive Agreement will include the cost of currently required repairs and maintenance to the parking garage. During this time the Clinic, as the corporate Member, shall have the option to substitute itself or its appointees for any or all members of the LHA Board of Trustees, except at least one member to represent the City (the Mayor or his/her Council designee), which shall remain the governing board of LHA. LHA will bear all costs of terminating and winding down its patient and other operations and all costs of demolition to prepare the land for the construction of the FHC, up to the maximum of LHA's net asset value, less the value of the assets described below which are committed to be returned to the City. Any costs in excess of LHA's net asset value will be borne by CCF. Such costs shall include, without limitation, requisite capital expenditures, lease payments as described in Section II(B) above, payments on notes payable, retirement plan costs, buildings demolition, abatement and relocation, severance and retention costs, insurance tail costs as described in Section II(M) below, and post-closure closing costs. Notwithstanding the provisions of Article Six of the 1995 Definitive Agreement, Article Six of the Amended and Restated Articles of Incorporation of LHA, or any similar provisions elsewhere, upon LHA's dissolution all of LHA's property of every nature and description, and any and all equipment and fixtures at Lakewood Hospital, shall be monetized, paid over and/or transferred to the Clinic, subject to the following:

- LHA's "Beneficial interest in Lakewood Hospital Foundation, Inc." as reflected on the LHA Balance Sheet shall remain the property of LHF subject to the terms described in Section II(D) herein.
- The land upon which Lakewood Hospital is currently situated shall remain the property of the City, subject to the conveyance of part of said land for the FHC as described in Paragraph II(A) herein and the new lease described in Paragraph II(B) herein.
- The following items described on Exhibit C of the 1995 Lease shall remain the property of the City and shall not be transferred to the Clinic:
  - Lakewood Hospital South Parking Garage
  - Lakewood Hospital Professional Building
  - Community Health Care Center



- Residential Homes (whether or not described in Exhibit C)
- Paved Parking Lots (whether or not described in Exhibit C)
- \$8.2 million in cash shall be paid by the Clinic to LHA in consideration of the property known as 850 Columbia Road and title thereto shall be transferred to the Clinic, upon the effective date of the 2015 Definitive Agreement. \$8.2 million in cash shall also be paid by LHA to the City upon the effective date of the 2015 Definitive Agreement.

F. The Clinic will relocate the Fairview/Cleveland Clinic Family Medicine Residency currently at the Fairview Center for Family Practices to the Lakewood FHC campus.

G. LHA, under the Clinic-appointed President, will operate Lakewood Hospital's emergency department during the wind-down of the Hospital's inpatient operations and, if reasonably possible, until the emergency department of the FHC is operational and open. The schedule of the cessation of patient operations may be accelerated to protect patient safety or to preserve the assets of LHA. Exclusively the LHA President shall determine the timing and dates of the cessation of all patient operations, including those of the emergency department. The members of the LHA Board of Trustees will cooperate with and support the decisions of the LHA President in this process, except that they cannot be bound to agree to a decision which they in good faith believe is contrary to their fiduciary obligations.

H. Subsequent to the dissolution of LHA, the Clinic will maintain and administer the archival recordkeeping operations of LHA, complying with applicable laws, pursuant to the Clinic's record retention policies.

I. The parties hereto, including the City's current Mayor (as of the effective date of the 2015 Definitive Agreement) in his capacity as a trustee of LHA, will publicly support the transition from hospital-based services to ambulatory services. The City will promptly grant zoning, architectural, construction, engineering, regulatory, tax-exemption or other approvals within its authority as requested by the Clinic in the design, construction, and maintenance of the FHC.

The Clinic will in turn agree to use best efforts to help to negotiate an agreement between the City of Avon and the City of Lakewood to compensate the City of Lakewood for the loss of payroll taxes consistent with the 2005 agreement that the City of Avon entered into with other nearby municipalities.

J. The City, either directly or by agreement, will provide and maintain safe and adequate parking for the FHC at a location proximal to the FHC and will be able to charge parking customers for parking, said parking being separate from the parking that is immediately adjacent to the FHC as described in Section II(A)



above. Appropriate pricing for the parking would be addressed as a part of the business plan for parking referenced in Section II.A.

K. Unless the Clinic were to grant prior approval, no health care system provider would be permitted to operate or manage a facility, and no signage identifying such provider would be permitted, on the land currently leased by the City to LHA while the Clinic owns and operates the FHC.

L. The parties, including the City, and all of their officers and board members would hold harmless each other and their affiliates, and their officers and other fiduciaries in connection with the management, cessation, wind-down, or dissolution of LHA. These entities would also hold harmless and indemnify, to the extent permitted by law, each other in connection with claims and losses going forward.

M. In consideration for insurance premiums of fair value estimated at approximately \$2.5 million paid by or allocated to LHA, the Clinic will provide insurance protection (indemnity and defense), including without limitation professional liability and directors and officers insurance, for the officers, trustees, employees, and other agents of LHA, for LHA-related occurrences both prior to and subsequent to the dissolution of LHA.

N. Standard legal language describing these and other customary contractual terms will be included in the 2015 Definitive Agreement, including the fact that sufficient and valuable consideration is afforded and received by all parties as well as provisions requiring compliance with all applicable laws including those that apply to tax-exempt organizations.

O. The Clinic will commit to use its brand and market position to help the Lakewood community and the New Non-Profit Tax-Exempt Entity to attract and contract with a wellness center (further definition to be determined) partner or vendor to be involved in the development of an additional health and wellness campus and/or facility on the current Lakewood Hospital campus.

P. The City will include among its employee benefits at least one health plan with Tier 1 and/or preferred provider access to the Cleveland Clinic.

### **III. Exclusive Discussions**

A. The parties will continue exclusive and confidential discussions about the terms of the Potential Arrangement and the best structure to achieve the goals stated above, as well as related due diligence. Prior to the effective date of the 2015 Definitive Agreement, no party hereto will enter into negotiations with another hospital or health system located in Cuyahoga County or its geographically contiguous counties regarding an arrangement that provides for the health services for the residents of Lakewood. Although the City is not a party to this Letter of Intent, the parties hereto expect that the City will abide by the principles contained

herein, not only in this Section III but as described elsewhere in this Letter of Intent, and rely upon the City and its officials to take all measures available by law to do so.

#### **IV. Confidentiality**

A. This Letter of Intent, the discussions among, between and within the parties to the 2015 Definitive Agreement, including the City, regarding the Potential Arrangement, and any information shared during the diligence phase, are confidential and legally privileged, with the proviso that the parties hereto agree that any of the parties hereto or the City may disclose the terms of the Letter of Intent, including the Letter of Intent itself, if doing so is reasonable under the circumstances to advance the business interests of the parties to the 2015 Definitive Agreement and is done in a manner to maintain secrecy regarding information not disclosed.

#### **V. Expenses.**

A. Each party shall be responsible for its own legal, consulting and other expenses incurred in connection with discussions to date, negotiation of this Letter of Intent and the Potential Arrangement.

#### **VI. Non-Binding and Legal Review**

A. This document is a non-binding general statement of the parties' intentions regarding the Potential Arrangement and in no way obligates any of the parties to provide any services to another party or other individual(s). Any contractual commitments would be subject to comprehensive legal and compliance review, and would be set forth in the 2015 Definitive Agreement agreed upon by all parties thereto, including the City. Notwithstanding the foregoing, the Exclusivity, Confidentiality and Expenses provisions contained in Paragraphs III, IV and V of this Letter of Intent shall be binding.

B. The parties agree to advance the principles within this document to Lakewood City Council and other officials of the City, with the mutual goal that the City will become a signatory to this Letter of Intent or will approve a separate document ratifying its terms or other substantially similar terms mutually agreed upon by the parties.

#### **VII. Compliance with Law**

A. The parties intend that all activities conducted in connection with this Letter of Intent and the ensuing discussions among the parties about the Potential Arrangement, as well as any resulting agreements, will comply with all applicable laws, rules and regulations.



### VIII. Term

A. This Letter of Intent will commence as of the Effective Date and shall terminate upon the effective date of the 2015 Definitive Agreement or ninety (90) days after the Effective Date, whichever is sooner. Any party may voluntarily terminate this Letter of Intent and cease the discussions concerning the Potential Arrangement at any time by providing written notice to the other parties.

### AGREED AND ACCEPTED:

<b>THE CLEVELAND CLINIC FOUNDATION</b> By: <u>[Signature]</u> Its: <u>Chief Executive Officer</u>	
<b>LAKEWOOD HOSPITAL ASSN.</b> By: <u>Thomas J. Gale</u> Its: <u>CHAIRMAN</u>	<b>LAKEWOOD HOSPITAL FOUNDATION, INC.</b> By: <u>Kenneth Haber</u> Its: <u>PRESIDENT</u>

APPROVED AS TO FORM  
CCF - LAW DEPT.

DATE: 1/14/15 CMSI #:

BY: [Signature]



## **EXHIBIT**

### **TO LETTER OF INTENT AMONG CLEVELAND CLINIC, LAKEWOOD HOSPITAL ASSOCIATION AND LAKEWOOD HOSPITAL FOUNDATION REGARDING THE FUTURE OF HEALTH CARE SERVICES TO THE LAKEWOOD COMMUNITY**

#### **Lakewood Family Health Center Services Proposed Initial Services**

- Emergency Department (24/7/365)
- Primary care featuring an advanced patient centered medical home model
- Selected specialties as determined by community need:
  - Family Medicine/Pediatrics
  - Women's Health (incl. Midwifery)
  - Diabetes Care
  - Musculoskeletal Care
  - Ophthalmology /Optometry
  - Brain Health/ Behavioral Health
  - Pulmonology
  - Neurology
  - Cardiac Care
  - Geriatrics
  - Digestive Diseases
  - Chronic Disease Clinics
  - Pharmacy
  - Physical/Occupational Therapy
- Extended hours/weekends
- Procedures including cardiac and pulmonary testing
- Radiology and lab services
- eVisits/My Chart
- Home care coordinated with FHC and Fairview

Note: This list does not include services that may be provided by private practitioners in the Lakewood Professional Building.